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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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EXAMINER

ALPERT, JAMES M

ART UNIT PAPER NUMBER

3624

DATE MAILED: 11/03/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

**Office Action Summary**

Application No.

09/664,403

Applicant(s)

CORNELL, ROSS H.

Examiner

James Alpert

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 8/11/2005.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☐ Claim(s) 7-10,27-30 and 45-48 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 7-10,27-30 and 45-48 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)  
Paper No(s)/Mail Date \_\_\_\_\_
- 4) ☐ Interview Summary (PTO-413)  
Paper No(s)/Mail Date. \_\_\_\_\_
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: \_\_\_\_\_

### **DETAILED ACTION**

The following communication is in response to Applicant's amendment filed on August 19, 2005.

#### ***Status of Claims***

Pursuant to an election restriction, Claims 7-10,27-30,45-48 were chosen for prosecution. All other claims were cancelled or withdrawn. Of the above, Claims 7-10,27,45 are currently amended. Claims 29-30,47-48 are original. Claims 28,46 are previously presented. Claims 7-10,27-30,45-48 remain pending.

#### ***Response to Arguments***

**With regard to the rejections made under 35 U.S.C 101**, relating to lack of technology in the claims, applicant's amendments to the claims overcome the rejections, and they are withdrawn.

**With regard to the rejections made under 35 U.S.C 101**, relating to the term "module", Applicant's amendment to the claims overcome the rejections and they are withdrawn.

**With regard to the rejections made under 35 U.S.C 101**, Applicant's arguments with respect to claims 7-10,27-30,45-48 have been considered but are moot in view of the new ground(s) of rejection.

#### ***Claim Rejections - 35 USC § 103***

The text of 35 U.S.C. §103, which is not included in this action, can be found in a prior Office action. Claims 7-10,27-30,45-48 are rejected under 35 U.S.C. 103 are

rejected under 35 U.S.C. 103(a) as being unpatentable over Frankel, U.S. Patent #6070151, in view of Goldenfeld et al, U.S. Patent #6208738.

**With regard to Claims 7 and 45**, Frankel teaches a system and data processing system comprising a processor adapted to:

analyze risk elements of mortgage pool components, (Figure 3, Items 302-308)

develop plans for structuring securities based on selected mortgage pool components, such that (Figure 3, Item 310)

each plan overcomes an artificial leverage limitation imposed by mortgage security regulatory structuring constraints;  
(Col. 2, line 40 – Col. 3, line 21; Col. 3 line 65 – Col. 4 line 47)

Frankel does not specifically teach of analyzing interest-rate derivative components, however, Goldenfeld does disclose this limitation at in his article at (Col. 1 lines 35-42, 52-56; Col. 4, lines 31-39; Col. 9, lines 25-30) where interest-rate derivatives and mortgage-backed securities are contemplated as part of a statistical analysis. The reference demonstrates that derivatives and MBS's can be used together for a single purpose. Further, it would have been obvious at the time Applicant's invention was made to combine the teachings of Frankel, related to the analysis of risk in mortgage-pool securities with the teachings of Goldenfeld, related to an analysis of interest-rate derivatives. Frankel teaches the motivation for such a combination at (Col. 2 lines 40-50), which suggest analyzing both components.

Frankel teaches the following limitation as well:

Validating a securities structuring plan and initializes files for the securities to be issued under each validated plan; and (Figures 6-7; Col. 3 line 65 – Col. 4 line 16)

Frankel does not specifically teach the following limitation:

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administering the securities issued under the validated plan.

However, existing securities have long been administered electronically, with logistical details handled easily. Thus administering the securities as described by Applicant would be considered old and well known in the art. As such, it would have been obvious at the time Applicant's invention was made to combine the teaching of Frankel, related to establishing a new security, to include a continued administration of the security. The motivation for such a combination is to make sure the security remains viable, so as to encourage capitalization in the security.

Applicant's main argument against the use of the Frankel reference boils down to the notion that the newly structured securities described therein are still considered REMIC securities. Without discussing the merits of this assertion, it is clear that this is not required by the claims themselves. The examiner has searched the claims but finds no mention of the word "REMIC" anywhere. Applicant's discussion of the difference between the words "comply" and "overcome" is equally inconsequential. Applicant is reminded that claims must be given the broadest reasonable interpretation, In re Hyatt, 211 F.3d 1367, 1372, 54 USPQ2d 1664, 1667 (Fed. Cir. 2000). To that end, the examiner would like to make a simple observation: if an applicant for a patent is willing to make certain changes to a claim, upon the advice of a patent examiner, the applicant can be said to be complying with the examiner, yet simultaneously, the rejections are said to be overcome. At this point, the examiner is satisfied that the claims are still of sufficient breadth such that Frankel anticipates the cited limitations.

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Applicant has amended the claims to include the limitation that the structured security must include an interest-rate derivative and mortgage pool components. To that end, the Goldenfeld reference shows that combining the two types of securities has been contemplated in the prior art. This being the case, a motivation for modifying the primary reference is required, and as mentioned above, this motivation is found in the Frankel reference itself.

**With regard to Claims 8 and 46,** Frankel teaches a system and data processing system comprising:

analyzing risk elements of interest-rate derivative and mortgage pool components using an asset pool prepayment model that projects cash flows of a mortgage asset account based on prepayment rate parameters and asset type data provided as input from a user. (Col. 6, lines 10-18)

**With regard to Claims 9 and 47,** Frankel teaches a system and data processing system wherein:

analyzing risk elements of interest-rate derivative and mortgage pool components further comprises processing projected cash flows from the asset pool prepayment model and determining whether the projected cash flows are sufficient to meet predetermined payment obligations. (Col. 6, lines 20-32)

**With regard to Claims 10 and 48,** Frankel teaches a system and data processing system wherein:

analyzing risk elements of interest-rate derivative and mortgage pool components further comprises evaluating derivatives for a proposed plan based on data from the asset pool prepayment model and determining whether the projected cash flows are sufficient to meet predetermine payment obligations and a derivatives model. (Figure 5; Col. 10, line 51 – Col. 11, line 15)

**With regard to Claim 27,** Frankel teaches a method comprising:

identifying one or more pools of mortgage securities;  
(Col. 6, lines 1 –10)

Frankel does not specifically teach the following limitation:  
identifying one or more pools of interest-rate derivatives,

However, Goldenfed does disclose this limitation at in his article at (Col. 1 lines 35-42, 52-56; Col. 4, lines 31-39; Col. 9, lines 25-30) where interest-rate derivatives and mortgage-backed securities are contemplated as part of a statistical analysis. The reference demonstrates that derivatives and MBS's can be used together for a single purpose. Further, it would have been obvious at the time Applicant's invention was made to combine the teachings of Frankel, related to the analysis of risk in mortgage-pool securities with the teachings of Goldenfeld, related to an analysis of interest-rate derivatives. Frankel teaches the motivation for such a combination at (Col. 2 lines 40-50), which suggest analyzing both components. Frankel teaches the remaining limitations comprising:

analyzing risk elements associated with cash flows coming from the one or more pools of mortgage securities and the one or more pools of interest-rate derivatives;  
(Figure 3, Items 302-308)

strategically allocating cash flows from the one or more pools of mortgage securities and cash flows from the one or more pools of interest-rate derivatives to create classes of investment securities which define a new set of investment securities that overcome an artificial leverage limitation in the mortgage securities, at least one class combining cash flows from the one or more pools of interest-rate derivatives and cash flows from the one or more pools of mortgage securities; and  
(Col. 2, line 40 – Col. 3, line 21; Col. 3 line 65 – Col. 4 line 47)

issuing the new set of investment securities.  
(Col. 21, lines 42-47)

**With regard to Claim 28, Frankel teaches a method wherein:**

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one or more pools of mortgage securities have floating rate (FLT) and inverse floating rate (INV) classes and the FLT and INV classes are exchanged for cash flows from a derivative contract. (Col. 11, lines 1-29)

**With regard to Claim 29**, Frankel teaches a method wherein:

the derivative contract comprises an exchange of fixed rate cash flows from the mortgage securities for variable rate cash flows from the derivative contract.  
(Col. 4 lines 27-36; Col. 11, lines 1-29)

**With regard to Claim 30**, Frankel teaches a method wherein:

cash flows move both to and from the FLT and INV classes.  
(Col. 11, lines 1-29)

### ***Conclusion***

Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to James Alpert whose telephone number is (571) 272-6738. The examiner can normally be reached on M-F 8:00-5:00. If attempts



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to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached on (571) 272-6747. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197.

James M. Alpert  
October 30, 2005



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